

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

MARKET TEST OF EXPERIMENTAL PRODUCT—  
CUSTOMIZED DELIVERY

Docket No. MT2014-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**  
(October 17, 2014)

The United States Postal Service hereby provides notice of filing responses to Chairman's Information Request (CHIR) No. 3, which was issued on October 10, 2014. Responses were due by October 17, 2014. Each question is reprinted verbatim and is followed by the Postal Service's response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE  
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October 17, 2014

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1. The Notice states that "[t]he market test will begin on or shortly after October 24, 2014." *Id.* at 6. Please identify the geographic area where the market test will begin on or shortly after October 24, 2014.

**RESPONSE:**

The market test will begin in the San Francisco metropolitan area.

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2. In response to CHIR No. 1, the Postal Service states that "Potential geographic areas for this market test are currently being evaluated." Please identify the "[p]otential geographic areas" that are currently being evaluated for this market test.

**RESPONSE:**

The Postal Service is currently evaluating the metropolitan areas of Phoenix, AZ, Las Vegas, NV, and Portland, OR, as the next potential locations for expansion of the market test.

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3. The Notice states that "The Postal Service does not expect this market test to have a significant impact on small businesses, as delivery of groceries and other prepackaged goods by small courier services and delivery firms already exists in the marketplace." Notice at 5.
- a. Please identify the "small courier services and delivery firms" that already exist and describe the geographic areas in which they offer delivery of groceries and other prepackaged goods.
  - b. Please describe the types of geographic areas where the market test is anticipated to be conducted (i.e., a defined metropolitan area, rural area, etc.).
  - c. Please provide the prices charged by the "small courier services and delivery firms" listed in the response to paragraph 3(a) above.

**RESPONSE:**

- a. The Postal Service did not perform market research to identify small courier services and delivery firms operating within potential markets for the Customized Delivery market test. However, the Postal Service is generally aware that small courier services operate within most metropolitan areas, and specialize in time-sensitive delivery of items, which may include groceries and prepackaged goods.
- b. The Postal Service expects the market test will be conducted in metropolitan areas, within certain defined ZIP Codes.
- c. The Postal Service did not perform market research to this level of detail, but expects those prices are comparable to the price range offered by the Postal Service through this market test and by larger grocery delivery firms. These courier services already compete with existing retail grocery stores and larger firms, so the Postal Service does not expect its entry into this emerging market will have a significant impact on these smaller firms.

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4. This question concerns the request for exemption from the \$10 million revenue limitation. *Id.* at 7. The Commission may exempt a market test from the \$10 million revenue limitation if, among other things, the experimental product “is not likely to result in unfair or otherwise inappropriate competition.” 39 U.S.C. 3641(e)(2)(C). Please explain how the Customized Delivery product meets this requirement.

**RESPONSE:**

Currently, there are several companies offering similar grocery delivery service. Those companies include firms such as Safeway, Vons, Instacart (Whole Foods), Amazon, Giant (Peapod), Fresh Direct, and Urban Grocery. The market for grocery delivery is emerging rapidly, with several companies already established in the market, and others looking to enter the market in the near future. These firms offer several different prices, often depending on order value. Delivery fees can range from as low as \$3.99 to up to \$15.99. Some companies have additional fuel surcharges, minimum order requirements, or membership/subscription requirements. The Postal Service does not anticipate that the price it could set (at the lowest end of its price range for this market test) would give the Postal Service overwhelming market power in the grocery delivery market. Additionally, the prices charged by the Postal Service for Customized Delivery will only be in effect for a finite period of time. Moreover, if the Customized Delivery product becomes a permanent product in the future, the Postal Service's prices will be further constrained by the statutory requirement that the product must cover its costs.